

# **Indiana State Budget Agency**



## **Budget Submission**

### **Policy Instructions**

#### **For the FY 2006 & FY 2007 Budget**

May 21, 2004

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## **I. BUDGET SUBMITTAL**

This set of instructions focuses on budget preparation policy. It explains how to develop, request, and justify all operating funding for FY 2006 and FY 2007. All State agencies, including executive, legislative, judicial, and other entities that receive appropriations must submit proposed budgets to the Budget Agency. Budget information must be submitted for all accounts that received appropriations from the General Assembly and all accounts that had activity or will have activity in any of the years from FY 2003 through FY 2007.

Please read these instructions carefully before starting to prepare your budget, particularly noting the information required in the Agency Overview, the Base, Reallocations, Special Initiatives, and the Fund Balance Statements.

Separate instructions have been developed for Capital Budget requests. Please call your Budget Analyst if you have questions.

## **II. AGENCY OVERVIEW (TRANSMITTAL LETTER)**

An Agency Overview must be prepared and submitted with the budget. Due to constraints within the BudSTARS budgeting program, the agency overview may be electronically submitted separate of BudSTARS. The purpose of the overview is to summarize the agency's total budget request. It should reflect your plan to allocate the resources available to you to provide the best services to taxpayers.

You will want to include in your overview:

- 1) a description of your agency's programs and functions (by department or division, as appropriate),
- 2) accomplishments and challenges over the last two years,
- 3) your objectives for the next biennium,
- 4) an organizational chart,
- 5) any programs to be reduced, eliminated, and/or replaced by other programs (these should be described in some detail),
- 6) any reallocation of funds to accomplish these changes should also be included.

If any new special initiatives are to be proposed for next biennium, they should be briefly described in the Agency Overview. As outlined later in these instructions, special initiatives must be funded from existing resources and need prior approval from the Budget Agency. Likewise, if there are any major challenges anticipated that could affect the operating budgets of the agency, recommendations on how to address these challenges should be included.

The Agency Overview is an integral part of the budget submission and should be prepared with particular care. The letter, which will be provided to the Governor and members of the Budget Committee, the House Ways and Means Committee, and the Senate Finance Committee, should demonstrate the agency's mission, purpose, and effectiveness as reflected in the budget. It is the primary document the Governor and the General Assembly will use to understand and appreciate your budget request.

You should also recognize that the Peak Performance Project seeks to analyze the customers and services of state government and align the structure of our government to serve our common customers better. As part of the budget hearings, you will be asked to share with the legislature how your agency interacts with others in service to the same customer and any recommendations you might have to streamline those services and make them more effective.

Please work with your Budget Analyst to develop this information and submit your draft Agency Overview to your Budget Analyst by August 2<sup>nd</sup>.

**Note** When you submit your final budget electronically, please email a copy of your Agency Overview to your budget analyst. However, BudSTARS will require you to enter something for the Agency Overview. You may insert an abbreviated version of your agency overview or simply enter "Refer to separate submission". If you wish to also include your Agency Overview in BudSTARS as in years past, refer to the *BudSTARS User Manual* Chapter 3, Step 7 for instructions on how to enter the Agency Overview. See Chapter 2, Section F for tips on entering narrative information.

### **III. CURRENT SERVICES REQUEST**

The current services budget has the following components:

#### **A. Historical Expenditures**

All expenditures made in FY 2003 and FY 2004 are provided for you in BudSTARS. These historical figures have been transferred electronically from the Auditor's records to your budget file. You should review these numbers and verify their accuracy. If there is a material error, please contact your Budget Analyst.

**Note** Although historical expenditure data has been loaded from the Auditor's records, you will need to identify the funding sources for these expenditures. Refer to the *BudSTARS User Manual* Chapter 3, Step 5 for instructions on how to enter funding source information for these fiscal years.

#### **B. Staffing Table Position Records**

Staffing Table Position Control Records (PCRs) have been loaded into BudSTARS from the State Personnel Department's database (PeopleSoft) as of May 6, 2004. This data is used to calculate salary and fringe benefits expenditure levels for your budget submission. It is critical that this information be reviewed and corrected as necessary.

The following two sections (C and D) set limits for your agency's Current Year Estimate and Base. To stay within these limits, it may be necessary for PCRs to be flagged as unfunded. **Please note, the changes made to your agencies staffing table will be returned to State Personnel and re-incorporated into your agency's current staffing table.** Position Control Records identified as unfunded in BudSTARS will also be reflected as unfunded/inactive in PeopleSoft. A dollar adjustment to personal services to reflect changes in the funding status of a PCR will no longer be acceptable.

**Note** Use the procedures described in Chapter 3, Step 2 of the *BudSTARS User Manual* to review and update your PCR data.

**C. Current Year Estimate (CYE) (FY 2005)**

You are required to estimate expenditures that will be made in the current fiscal year ending June 30, 2005. The CYE cannot exceed the FY 2005 appropriation (as adjusted for the January 1, 2003 and January 1, 2004 general salary increases, early retirement savings, the required 5% reversion on general governmental operating, and the required allotment reserves from the reduced PERF rates and leave conversion). Any exceptions to this will need to be discussed with your Budget Analyst prior to budget submission.

**State Budget Agency analysts will work with each agency to appropriately calculate the agency's current year estimate.**

**D. The Base**

Your total base may not exceed your FY 2005 appropriation (as adjusted for the January 1, 2003 and January 1, 2004 general salary increases, early retirement savings, the required 2% permanent reduction to general governmental operating, and the required allotment reserves from the reduced PERF rates). It may be necessary to unfund specific PCRs to avoid exceeding the base limitation. It may be necessary to restrict an agency's base to something below the adjusted FY 2005 appropriation based on statewide priorities. **State Budget Agency analysts will work with each agency to appropriately calculate the agency's base.**

Base adjustments will be very rare, although the State Budget Agency recognizes there may be conditions that warrant an adjustment. Because of functional or operational changes, an agency's spending pattern might change from those described in the Current Year Estimate. For example, the General Assembly's budget reflects different service levels during the long and short session years. Annualization of a new state facility opening during FY2005 would be another possible example of a necessary base adjustment. For example, a new facility opening December 1, 2004 would have the CYE

reflecting the cost of 7 months of operation and the Base would reflect 12 months of operation.

Your Budget Analyst will help you if you think you have a condition that warrants an adjustment.

Additional overtime expenditures due to the federal Department of Labor's new overtime rules may not be added to the base. Overtime expenditures must be managed within existing levels of funding.

You may not include in the Base any adjustments for general inflation or any other price increase.

Expanded services and new services are not part of an agency's base; they are part of the Expanded or New Services Budget. Do not incorporate expanded or new services into your base.

You must calculate your CYE and Base, and contact your Budget Analyst by Monday, July 26 to discuss and agree upon these figures.

**Note** Use the procedures described in Chapter 3, Step 3 of the *BudSTARS User Manual* to enter your CYE and Base amounts for each expenditure object.

**E. Request For FY 2006 and FY 2007**

**Please note: your total request for FY 2006 (including new/expanded services) may not exceed your Base. Your total request for FY 2007 (including new/expanded services) may not exceed your FY 2006 total request. Exceptions may be made in cases of emergency or when matching funds would result in greater benefits from federal revenue.**

Your requests for FY 2006 and FY 2007 may not include a change in, or an adjustment to the Base for general inflation or any other price increase.

1. Reallocation

Agencies that are planning to reduce or redirect agency resources from those budgeted in the Base may reallocate, in their budget requests for FY 2006 and FY 2007, the savings generated by those changes to other initiatives and objectives. These reallocations may take place between points within an account or between accounts within a fund.

**Note** Changes from the Base to the request years can only be accomplished through the completion of Change Packages (either Current Services or New Services), and each package must include a narrative explanation and justification. If there is going to be a significant reallocation between Other Operating Points or from Other Operating to Point 1, then creating a separate Current Services Change Package would be appropriate. See Chapter 3, Step 4 in the *BudSTARS User Manual* for assistance in creating Change Packages.

2. Point 1 Reallocation

Savings achieved through efficiencies may also be reallocated to Point 1 to request additional positions, if needed, for existing services/programs or special initiatives approved by the Budget Agency.

**Note** Reallocation of funds from Other Operating to Point 1 (or vice versa) can only be accomplished through the completion of a Current Services Change Package as described above. If additional positions are being requested, please see Chapter 3, Step 2 in the *BudSTARS User Manual* for assistance. Adequate narrative explanation and justification will be necessary.

**REMINDER: THE TOTAL REQUEST FOR EACH FISCAL YEAR AFTER ANY REALLOCATIONS MAY NOT EXCEED THE BASE.**



#### **IV. SPECIAL INITIATIVES (New/Expanded Services)**

If any new or expanded services or initiatives are to be included in the budget request for an agency or institution whose agency head is appointed by the Governor or Lieutenant Governor, the initiatives must be pre-approved by the Budget Agency. The Budget Agency will be contacting you to discuss all proposed Reallocations and Special Initiatives. It should be noted that these initiatives must be funded from existing resources (i.e. reallocations or generated savings) and be agreed to by the Budget Agency.

For all other state agencies and institutions, any new special initiatives should be described in enough detail so that the importance of the new initiative to the State is easily understood.

Agencies should keep in mind that in circumstances where federal funding for regulatory mandates is being reduced or terminated by the federal government, it is unlikely that the State will be able to replace the lost federal funds or reinstate terminated federal programs. Agencies should document the fiscal impact and service reductions resulting from the federal funding cutbacks. Agencies that distribute federal funds to local municipalities or other local entities will also need to assess the impact of federal revenue reductions and describe them in the account narrative.

**Note** Any approved Special Initiatives will need to be submitted in the budget using the New Services Change Package process. Refer to the *BudSTARS User Manual* Chapter 3, Step 4 for instructions on how to use Change Packages. BudSTARS has the ability to let you prioritize your Change Packages. Please rank all New Services Change Packages starting with 1 as your highest priority.

Each request for expanded or new services must include in the narrative portion of the Change Package an overview that includes:

1. the agency's statutory authority (state and/or federal) to implement the program or services (or a statement that legislation will be proposed),

2. a statement as to how the program or services will help the agency accomplish its mission,
3. a thorough explanation of the need for the expansion or new service,
4. the number and profile of the population to be served,
5. specific goals and benefits, especially its connection to the Peak Performance Initiative, and
6. a timetable for reporting success.

**Note** A new PCR must be established for any new positions requested due to new programs. Refer to the *BudSTARS User Manual* Chapter 3, Step 2 for instructions on how to add new PCRs. Remember, when developing the budgets for Special Initiatives, new position requests should be budgeted at the minimum established salary level currently in effect. Fringe benefit amounts will be calculated automatically for you.

For your information the Fringe Benefits are calculated as follows:

The following are calculated as a percentage of salary:

	FY 2005	BASE	FY 2006	FY 2007
Life Insurance	0.36%	0.36%	0.36%	0.36%
Social Security	7.65%	7.65%	7.65%	7.65%
PERF-State Share	3.80%	3.90%	3.90%	4.00%
PERF-Employee Share Paid by State	3.00%	3.00%	3.00%	3.00%
Disability Insurance	2.28%	2.28%	2.28%	2.28%
Total % of Payroll	17.09%	17.19%	17.19%	17.29%
Full-Time Employees	17.09%	17.19%	17.19%	17.29%
Part-Time Employees	14.45%	14.55%	14.55%	14.65%

The following are calculated as a flat dollar amount per employee:

Health, Dental, Vision- Single	\$3,951	\$3,951	\$3,951	\$3,951
Health, Dental, Vision- Family	\$10,518	\$10,518	\$10,518	\$10,518
Health, Dental, Vision-Blended	\$8,291	\$8,291	\$8,291	\$8,291
Deferred Comp-State Match and Leave Conversion	\$654	\$654	\$654	\$654

**Note** Part-time employees are not eligible for health, dental, vision, life or disability insurance. In addition, BudSTARS uses the blended rate as the default in the fringe benefits calculations. There is the option to use the single or family rate for individual PCRs. See Chapter 3, Step 2 in the *BudSTARS User Manual* for assistance.

## **V. ACCOUNT NARRATIVES**

The Account Narrative is a budget overview or summary of each budgeted fund/center. It is an important part of the budget request for each fund/center and presents key information that decision-makers use in determining the importance of the budget request.

To ensure that all information is provided for each fund/center, in the narrative component of BudSTARS, provide the following information: a summary of the program(s) or purpose of the fund/center, specific statutory authority for the program(s), number and profile of the population served, goals or objectives for the new biennium, major changes in the scope of the program(s), new initiatives, and other relevant information.

## **VI. REVENUE ESTIMATES**

It is important that agencies provide revenue estimates in BudSTARS for the next biennium before the budget request is submitted. Agencies that collect fees that are deposited in the General Fund must provide a revenue estimate for FY 2006 and FY 2007. The BudSTARS User Manual Chapter 3, Step 6 provides the necessary instruction on entering this information in the agency budget request.

Agencies are also required to provide revenue estimates for each of their dedicated funds. Revenue estimates must include fee revenue, as well as federal and general fund receipts

and interest earned. The accuracy of these estimates is important to the completion of the fund balance report that is required and described in the next section.

## **VII. FUND BALANCE STATEMENTS**

All programs with dedicated funding must ensure that the fund balance report in BudSTARS is accurate and balances to the State Auditor's records. Programs funded partially with State General Fund and other dedicated funds must demonstrate that they are using their dedicated funding sources to the fullest extent. The purchasing and redeeming of investments should not be included in the expenses or the revenues when preparing the fund balance report; however, the amount invested should be included in the beginning and ending balances. Any interest earned should be included along with other revenue sources. If the interest earnings do not accrue to the dedicated fund, please include in the account narrative the reason and authority for the interest not accruing to the dedicated fund.

**Note** Fund Balance Statements reflect the revenue and expenditures of all centers within the fund. This may include fund/centers that are budgeted by other agencies.

## **VIII. BUDGET SUBMISSION**

Your budget must be electronically submitted by August 16<sup>th</sup>. You must also submit by August 16<sup>th</sup>, one electronic copy of the agency overview letter if it is not included in the electronic copy of BudSTARS.

**Note** See Chapter 3, Step 9 in the *BudSTARS User Manual* for instructions on how to electronically submit your budget.